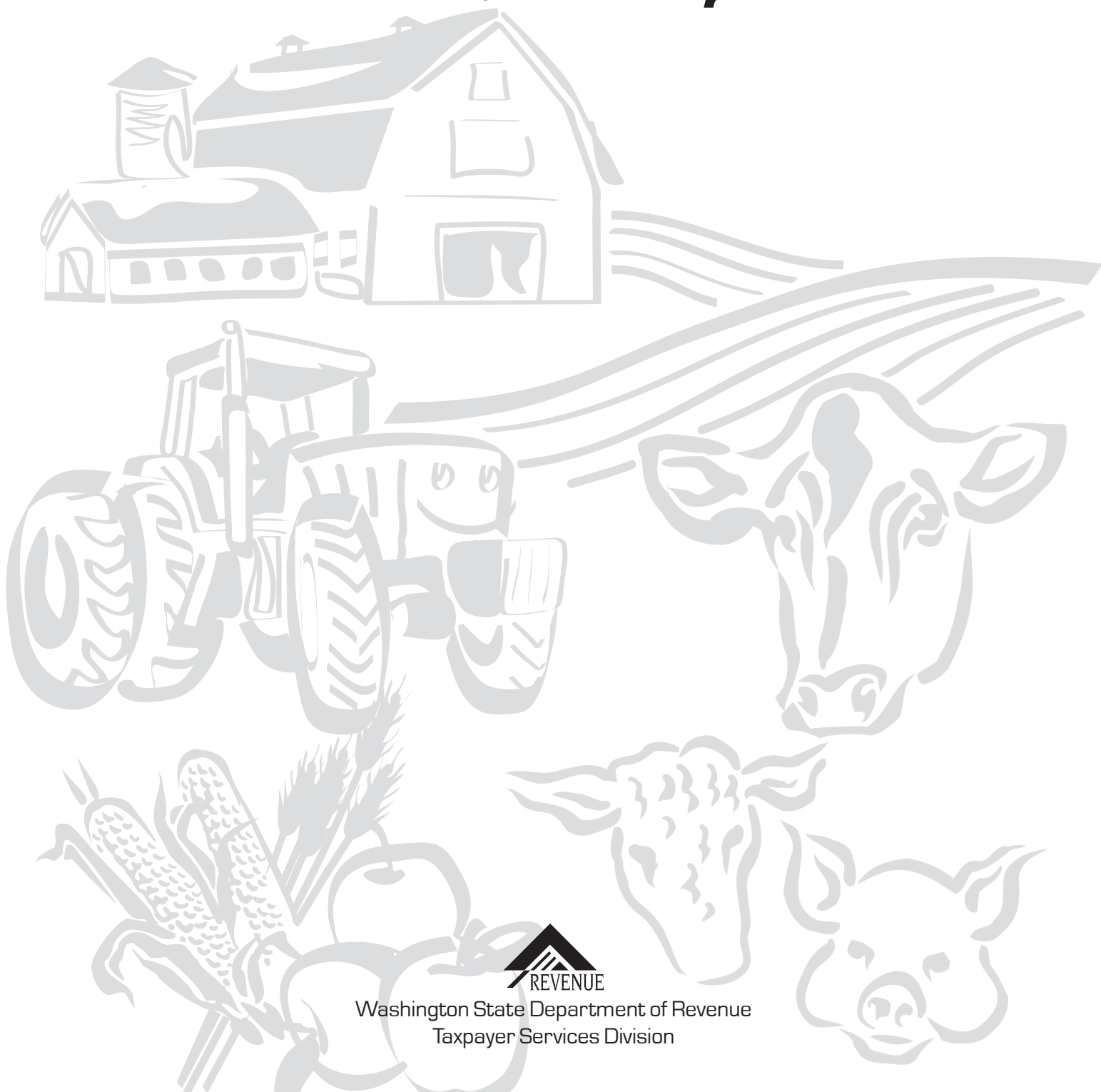


AGRICULTURE GUIDE

TO WASHINGTON STATE
EXCISE TAXES

Winter 2004



Washington State Department of Revenue
Taxpayer Services Division

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Introduction

Farming is a very important industry in Washington state. Washington farmers grow and raise food products that are sold around the world. This Farming Tax Guide was created to assist persons engaged in farming as well as those that sell and provide services to farmers.

The information provided in this guide is current at the time of publication. Please remember that state tax laws change on a regular basis, and this guide will not reflect any changes that occur after printing.

For additional information or answers to any questions about Washington excise taxes, please contact the Department of Revenue using the telephone number, web site address, or mailing address listed below. Additional information about services provided by the Department of Revenue is available in the “Department Services” chapter of this guide.

Toll free Telephone number: 1-800-647-7706

Department of Revenue web site: <http://dor.wa.gov>

Mailing Address: Taxpayer Services Division
Department of Revenue
PO Box 47478
Olympia, Washington 98504-7478

TAXPAYER RIGHTS AND RESPONSIBILITIES

The taxpayers of the state of Washington have the

RIGHT TO

- Simple and prompt administrative process for tax refunds and credits.
 - Timely, fair and equitable treatment with dignity and respect.
 - Accurate written information on reporting instructions, appeal procedures, refund claims and reasons for assessment.
 - Public hearings on proposed rules.
 - Review and appeal of assessments, business registration revocation, and adverse rulings.
 - Remedies when statutes and rules are found to be unconstitutional.
 - Confidentiality of financial and business information.
-

RESPONSIBILITY TO

- Register with the Department of Revenue.
- Know their tax reporting obligations and seek instructions when they are uncertain.
- Keep accurate and complete business records.
- File returns and pay taxes in a timely manner.
- Ensure the accuracy of the information entered on their tax returns.
- Substantiate claims for refund.
- Notify the Department of Revenue and pay taxes promptly when closing a business.

References: Chapter 82.32A RCW

Terms Relevant to this Guide

Agricultural Product: Any product of plant cultivation or animal husbandry including, but not limited to: a product of horticulture, grain cultivation, vermiculture, viticulture, or aquaculture as defined in RCW 15.85.020; plantation Christmas trees; short-rotation hardwoods as defined in RCW 84.33.035; turf; or any animal including, but not limited to an animal that is a private sector cultured aquatic product as defined in RCW 15.85.020, or a bird, or insect, or the substances obtained from such an animal. "Agricultural product" does not include animals defined as pet animals under RCW 16.70.020.

Business and Occupation (B&O) Tax: The B&O tax applies to the gross amount received from conducting business. There are different reporting classifications for retail sales, wholesale sales, professional services, and other business activities. Each classification has its own tax rate. Persons performing more than one activity may be subject to B&O tax under more than one reporting classification.

Consumer: A consumer is any person who uses tangible personal property and receives services defined as retail sales. Tangible personal property or services may be for personal use or for use conducting business activities. If you're a seller, you need to know who is a consumer to know when to collect sales tax. If you are a buyer, you need to know when to pay sales tax to the seller and, if sales tax hasn't been paid, when to pay sales tax (often referred to as "deferred sales tax") or use tax directly to the Department of Revenue.

Farmer: Any person engaged in the business of growing, raising, or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product to be sold. "Farmer" **does not** include a person growing, raising, or producing such products for the person's own consumption; a person selling any animal or substance obtained therefrom in connection with the person's business of operating a stockyard or a slaughter or packing house; or a person in respect to the business of taking, cultivating, or raising timber.

Feed: Any substance used as food to sustain or improve animals, birds, fish, or insects, and includes whole and processed grains or mixtures thereof, hay and forages or meals made therefrom, mill feeds and feeding concentrates, stock salt, hay salt, bone meal, fish meal, cod liver oil, double purpose limestone grit, oyster shell, and other similar substances. "Feed" includes food additives which are given for their beneficial growth or weight effects. However, "feed" does not include hormones or similar products which do not make a direct nutritional or energy contribution to the body, nor does it include products which are used as medicines.

Fertilizer: Any substance containing one or more recognized plant nutrients and which is used for its plant nutrient content and/or which is designated for use in promoting plant growth. "Fertilizer" includes limes, gypsum, and manipulated animal and vegetable manures.

Terms Relevant to this Guide (continued)

Gross Amount: The term “gross amount,” which appears at the top of column one on the tax return, is a “catch-all ” term for whichever of the following terms is applicable to your business: “gross proceeds of sale,” “gross income of the business,” or “value of products.” The gross amount includes all consideration received without deductions for the costs of doing business or other expenses.

RCW: The Revised Code of Washington (RCW) is the compilation of all permanent laws (i.e., statutes) currently in force.

Resale Certificate: A document completed by the buyer and furnished to the seller to document the wholesale nature of a sale. An example of a resale certificate is on page ____ of this guide.

Retail Sales Tax: A tax imposed on the buyer of goods and certain retail services. The seller is responsible for collecting the tax from the consumer and remitting the tax to the Department of Revenue. The sales tax is a combined state and local tax.

Seed: Propagative portions of plants commonly used for seeding or planting whether true seeds, bulbs, plants, seed-like fruits, seedlings, or tubers.

Spray materials: Any substance or mixture of substances in liquid, powder, granular, dry flowable, or gaseous form, which is intended to prevent, destroy, control, repel, or mitigate any insect, rodent, nematode, mollusk, fungus, weed, and any other form of plant or animal life which is normally considered to be a pest. The term includes treated materials, such as grains, which are intended to destroy, control, or repel such pests. "Spray materials" also includes substances which act as plant regulators, defoliants, desiccants, or spray adjuvants.

UBI/Tax Registration Number: Sometimes called a registration, tax reporting account, “C,” or resale number, the Unified Business Identifier (UBI) number is a nine-digit number used to identify persons engaging in business activities. The number is assigned when a person completes a Master Application to register with or obtain a license from state agencies. The departments of Revenue, Licensing, Employment Security, Labor and Industries, and the Corporations Division of the Secretary of State are among the state agencies participating in the UBI program.

Use Tax: Use tax is a tax imposed on the use of goods in Washington state as a consumer when the goods are purchased or acquired without payment of Washington’s retail sales tax. With respect to the use of goods as a consumer, either sales tax or use tax, but not both, applies. In this manner, use tax serves to complement the sales tax. Like the sales tax, the use tax is a combined state and local tax, and the two taxes are identical.

WAC: The Washington Administrative Code codifies the rules (i.e., regulations) of each state agency having rule-making authority.

General Tax Overview

Business and Occupation (B&O) Tax

Persons conducting business activities within the state of Washington state are subject to the Business and Occupation tax.

There are various B&O tax rates, ranging from 0.011 percent to 1.5 percent. Virtually all business activities are subject to the tax under one or more B&O tax classifications, unless specifically exempt by law. The nature of the activity determines the specific tax classification and rate. Most businesses report under one or two B&O tax classifications.

Because the tax is based on gross receipts, there are no deductions for the costs of doing business. There are, however, various statutory exemptions and deductions that apply to specific classifications.

Chapter 82.04 RCW provides the statutory authority for imposing the B&O tax. Various administrative rules located in chapter 458-20 WAC assist the business community to accurately report taxes, including the B&O tax, administered by the Department of Revenue.

Retail Sales and Use Tax

Persons making retail sales in Washington are responsible for collecting and remitting the state's retail sales tax. The tax applies to consumer purchases of retail goods and certain services. Depending on the location of sale, rates range from 7.0 to 8.8 percent.

The terms "sales tax" and "use tax" are often used interchangeably. Although the rates are the same, the application of each tax differs, depending on the circumstances of sale. (See page 12 of this guide for more information on use tax.)

Chapters 82.08 and 82.14 RCW provide the statutory authority for imposing the sales tax. However, it is necessary to refer to RCW 82.04.050 to understand which transactions are defined as retail sales. Various administrative rules located in chapter 458-20 WAC assist the business community to accurately report taxes, including sales and use taxes, administered by the Department of Revenue.

Overview of Taxes on Farming

Wholesales Sales (Exempt for Farmers)

Generally, farmers do not need to have a tax registration number if they only make wholesale sales of the agricultural products that they grow, raise, or produce. However, this does not mean that taxes do not apply to farming related activities. Farmers must pay sales tax or use tax on all tangible personal property used in farming, unless specifically exempted by law.

A B&O tax exemption is provided for wholesale sales by farmers of agricultural products they have produced on their farms. If a farmer only makes wholesale sales of his or her products, there is no need to obtain a tax registration number from the Department of Revenue. A farmer that is not required to obtain a tax registration number from the Department may report and pay use tax with a Consumer Use Tax Return. (A Consumer Use Tax Return can be obtained through our Web page or by calling the Department of Revenue.)

Retail Sales (Not Exempt)

However, if a farmer sells his or her products **at retail to consumers**, such sales are not exempt from the B&O tax. Retail sales of agricultural products by farmers or other persons are taxable under the retailing B&O tax classification.

Additionally, if the product sold at retail is not an exempt food product or is not otherwise exempt from sales tax, retail sales tax must be collected. Below are some of the agricultural products that, if sold at retail by a farmer, require the farmer to collect retail sales tax from the buyer:

- Turf
- Flowers
- Plants
- Trees
- Shrubs
- Vines
- Moss
- Plantation Christmas Trees

Overview of Taxes on Farming (continued)

Litter Tax

The gross proceeds of sales of certain products are subject to litter tax under chapter 82.19 RCW. Litter tax, however, does not apply to sales of agricultural products that are exempt from B&O tax under RCW 82.04.330. Farmers are not subject to litter tax on wholesale sales of agricultural products.

Litter tax applies to the gross proceeds of retail sales of agricultural products that constitute food for human or pet consumption. This includes retail sales by farmers of agricultural products that constitute food for human consumption. Litter tax is reported on the tax return.

Sales of Goods to Farmers

Retail Sales



The following discussion provides the tax reporting responsibilities of those selling goods to farmers.

Sales or rentals of the following items to farmers are taxable as retail sales. Sellers must collect sales tax on these sales, unless specifically exempt by law. (See the exemptions section beginning on page 23.) In addition, retailing B&O tax applies.

- Machinery
- Combines
- Irrigation systems
- Vehicles
- Parts
- Tools
- Cleaning materials
- Fuel used in off-road vehicles (e.g. tractors) and lubricants

Wholesale Sales (sales tax does not apply)

Sales of the following items to farmers for the purpose of producing for sale any agricultural product are taxable as wholesale sales (sales tax does not apply):

- Feed
- Seed
- Seedlings
- Fertilizer
- Agents for enhanced pollination (including bees)
- Spray materials

Sales of Goods to Farmers (continued)

Wholesale Sales (sales tax does not apply) (continued)

Sales of the following items to farmers are also wholesale sales:

Chemical sprays or washes sold to farmers or other persons for post-harvest treatment of fruit for the prevention of scald, fungus, mold, or decay.

Containers, packaging, and wrappers that are sold by the farmer along with the agricultural product to be contained therein. Some examples include grain sacks, twine used in binding such sacks, wire used for binding bales of hay, and cardboard boxes for fruits and vegetables. However, sales of packing materials and containers to a farmer who will use the items as a consumer are retail sales. Thus, sales of binder twine to a farmer for binding bales of hay that will be used to feed the farmer's livestock are retail sales. The seller must document wholesale sales with a resale certificate completed by the farmer. Farmers who are not required to be registered with the Department of Revenue may omit the tax registration number on the resale certificate. An example of a resale certificate is on page 43 of this guide. A resale certificate is valid for up to four years.

References: WAC 458-20-102, 458-20-115, and 458-20-122

Providing Services to Farmers

Retail Sales

Machinery and equipment repairs: Persons repairing machinery and equipment for farmers must collect retail sales tax on the charges, unless specifically exempt by law. In addition, the charges are subject to B&O tax under the retailing classification.

Service B&O Tax (sales tax does not apply)

Farming for hire and performing horticultural services for farmers: Persons who engage in farming for hire or who perform horticultural services for farmers are subject to the service and other activities classification of the B&O tax on the gross income of the business. The term "horticultural services" includes, but is not limited to, the following activities:

- Soil preparation of land currently being used to raise plant crops, such as plowing, weed control, or orchard stump removal before replanting;
- Crop cultivation activities such as planting, thinning, weeding, pruning, or spraying;
- Crop harvesting activities such as threshing grain or legumes, mowing and baling hay, or picking fruit.

Persons in the business of farming for hire or performing horticultural services for farmers are considered the consumers of any materials they purchase unless they resell the materials and bill their customer (the farmer) a separate charge for the materials. (See wholesale sales below.)

Wholesale Sales (sales tax does not apply)

If a person engaging in the business of farming for hire or providing horticultural services to farmers also sells tangible personal property for a separate charge, the charge made for the personal property is subject to either the wholesaling or retailing B&O tax depending on the nature of the sale.

For example, ABC Aviation Co. (ABC) is hired by farmers to spray pesticides on their crops. ABC segregates the charge for the pesticides and the charge for the application on its sales invoices. When reporting its tax liability, ABC should report the charge for the pesticide application under the service and other activities B&O tax classification. The charge for the sale of the spray materials is subject to the wholesaling B&O tax, provided ABC obtains a resale certificate from the farmers. The purchases of pesticides by ABC are for resale and are not subject to retail sales tax.

References:

**RCW 82.04.190, RCW 82.04.050, WAC 458-20-209;
WAC 458-20-102, and WAC 458-20-209**

Farmers and Use Tax

Introduction

Unlike other types of businesses, farmers are not generally required to register with the Department of Revenue. For this reason, many farmers may be unaware that they may owe use tax when tangible personal property such as machinery and equipment is acquired without payment of Washington's retail sales tax. For example, a farmer who buys a combine from a neighboring farmer owes use tax, unless specifically exempt by law.

What is Use Tax?

Use tax is a tax imposed on the use of tangible personal property in Washington when sales tax has not been paid. It is computed at the same rate as the sales tax. Unless specifically exempt by law, all tangible personal property purchased or used in this state is subject to either the sales tax or use tax, but not both, regardless of where or from whom the property is purchased.

When a farmer purchases machinery and equipment from a dealer in this state, the farmer must pay sales tax to the dealer, unless the sale is specifically exempt by law. The dealer in turn pays the collected sales tax to the Department of Revenue. There are many instances, however, where sales tax is not paid to the seller. In these situations, the farmer must remit the sales tax (commonly referred to as "deferred sales tax") or use tax directly to the Department, unless specifically exempt by law. Below are examples of when farmers owe use tax, presuming the item is not exempt:

- Machinery and equipment purchased from another farmer. Unless the selling farmer is registered with the Department of Revenue, sales tax will not be collected.
- Machinery and equipment purchased in another state with no sales tax or in a state with a sales tax rate less than Washington's. If sales or use tax was paid in another state, you may take a credit for the amount of tax paid against the amount of use tax due in Washington.
- Machinery and equipment are purchased from an out-of-state Internet seller or from a mail order catalog. Many times these types of remote sellers are not required to collect Washington's sales tax, however, the farmer owes use tax on these items.

References:

RCW 82.12.020 and WAC 458-20-178

Frequently Asked Questions About Use Tax

Do I get credit for equipment I use as a trade-in?

Use tax is computed on the amount due after the value of a "like kind" trade-in is subtracted from the purchase price. For example, if you bought a plow from a dealer in another state and you used another plow as a trade-in, use tax is due on the remaining balance.

If sales or use tax was paid in another state, you may also take a credit for the amount of tax paid against the amount of use tax due in Washington. In order to take the credit, you must have documentation, such as an invoice, of the amount of tax paid.

Is use tax due if I acquire farm equipment when I purchase a farm?

If you acquire tangible personal property with the farm, use tax is due on the value of the non-exempt personal property. When completing the Real Estate Excise Tax Affidavit for the County Treasurer, you must indicate the value of the personal property separate from that of the real property. The value of the personal property is subject to use tax, unless an exemption applies to a specific item of property.

Do I owe use tax if machinery or equipment is given to me?

Use tax is not due if the person giving you the machinery and equipment can document that he or she has already paid sales tax or use tax on the goods. However, if sales or use tax was not paid by that person, then you owe use tax.

When is use tax due?

Liability for use tax arises at the time the property is first put to use in this state. Generally, first use occurs when the goods are first acquired or brought into Washington.

How do I report and pay use tax?

- Farmers that do not have a tax registration number with the Department of Revenue must report and pay use tax on a *Consumer Use Tax Return*.
- If you are registered with the Department of Revenue, you should report use tax on the use tax sections of the *Tax Return*, or you may use the *Consumer Use Tax Return*.
- For vehicles and trailers that must be licensed for use on roads, use tax is paid to the County Auditor or licensing agent.

Frequently Asked Questions About Use Tax (continued)

How will the Department of Revenue know if I don't pay the tax?

The Department of Revenue actively investigates and pursues businesses and individuals to collect unpaid taxes, including use taxes. Department employees utilize many resources to discover unpaid use taxes. For example, the Department reviews personal property records of the County Assessor's office to locate tangible personal property on which sales or use tax has not been paid. After a review of the assessor's records, notices are sent to farmers requesting either payment of use tax or verification that sales or use tax has been paid. Likewise, the Department reviews Real Estate Excise Tax Affidavits to determine whether use tax has been paid on personal property acquired in connection with a real property transfer. The Department also detects unpaid use taxes through the audit process.

How can I prove that sales or use tax has been paid?

Your invoice will prove if sales tax has been paid. By law purchase documents such as sales receipts or invoices, must separately state the sales tax from selling price. To prove you have paid use tax, keep the documentation (e.g., Consumer Use Tax Return or tax return) for all items on which you've paid the tax.

Specific Activities of Farmers

Plantation Christmas Trees

Persons growing or producing plantation Christmas trees on their own lands or upon lands in which they have a present right of possession are farmers. RCW 82.04.213.

Plantation Christmas trees are exempt from the timber excise tax under RCW 84.33.170. This requires that the Christmas trees be grown on land prepared by intensive cultivation and tilling, such as irrigating, plowing, or turning over the soil, and on which all unwanted plant growth is controlled continuously for the exclusive purpose of raising Christmas trees.

References: **RCW 82.04.035, 84.33.170, and 84.33.035**

Specific Activities of Farmers (continued)

Plantation Christmas Trees (continued)

Wholesale sales of plantation Christmas trees by farmers are exempt from B&O tax, provided that the farmer receives a resale certificate from the buyer documenting the wholesale nature of the sale.

Retail sales of plantation Christmas trees by farmers are subject to the retailing B&O and retail sales taxes.

Other Christmas Tree Operations

Farmers growing or producing plantation Christmas trees may purchase seeds, seedlings, fertilizer, and spray materials at wholesale.

Persons who either directly or by contracting with others for the necessary labor or mechanical services fell, cut, or take Christmas trees other than plantation Christmas trees are extractors.. Tax reporting instructions for persons who fell, cut, or take Christmas trees other than plantation Christmas trees are provided in WAC 458-20-13501. (Timber harvest operations).

Short Rotation Hardwoods

Effective July 22, 2001, persons cultivating short rotation hardwoods are considered farmers. Short rotation hardwoods are trees, such as but not limited to, hybrid cottonwoods, cultivated by agricultural methods in growing cycles shorter than 15 years.

Sales of short rotation hardwoods to others for resale are exempt from the B&O tax, provided that the grower receives a resale certificate from the buyer documenting the wholesale nature of the sale.

Farmers growing or producing short rotation hardwoods may purchase seeds, seedlings, fertilizer, and spray materials at wholesale.

References:

RCW 82.04.330, RCW 82.04.050, 82.04.060 RCW 82.04.050 and 82.04.060, 82.04.100, RCW 82.04.213 and RCW 84.33.035, RCW 82.04.330, WAC 458-20-122, WAC 458-20-210, WAC 458-20-122

Specific Activities of Farmers (continued)

Public Markets – Roadside Stands

Many farmers sell their agricultural products to consumers at public markets or roadside stands. These sales are sales at retail.

Farmers making retail sales of agricultural products at public markets or roadside stands may sell food products for human consumption, which are exempt from retail sales tax, or they may make sales of agricultural products that are not food products.

Food sales: Although retail sales of agricultural products that are food for human consumption are exempt from sales tax, farmers that make such sales are subject to the retailing classification of the B&O tax. If the farmer expects to have sales of at least \$12,000 in a year, the farmer will need to obtain a tax registration number from the Department of Revenue.

Non-food sales: Farmers that sell agricultural products that are not considered food for human consumption are subject to the retailing classification of the B&O tax and must collect retail sales tax from the buyer, unless specifically exempt by law.

Combination sales: Farmers that sell agricultural products that are exempt from retail sales tax such as food products and also sell agricultural products that are not tax-exempt food products are subject to the retailing classification of the B&O tax on all sales. The farmer must collect retail sales tax from the buyer on those non-food item sales, unless another exemption applies. These farmers must obtain a tax registration number from the Department of Revenue if they are required to collect retail sales tax or if they have sales of at least \$12,000 per year.

References:

WAC 458-20-210 and 458-20-244

Specific Activities of Farmers (continued)

Feedlots

A feedlot feeds cattle owned by others or cattle that the feedlot purchases for resale. The cattle are fed on the land owned by the feedlot.

Feeding for hire: Income received by a feedlot for feeding cattle owned by others is exempt from B&O tax under RCW 82.04.330 if the cattle are held by the feedlot for **at least 60 days** while the cattle are prepared for market. If the feedlot raises the cattle for less than sixty days, the income received for feeding the cattle is subject to service and other activities B&O tax.

Cattle owned by feedlot: A feedlot which fattens its own cattle for **at least 60 days** before selling them at wholesale will be treated as a farmer (not subject to B&O tax on its wholesale sales of cattle). If a feedlot owns the cattle for less than 60 days, the sales are subject to the wholesaling classification of the B&O tax.

Nurseries

For the purposes of this discussion, a “nursery” is a person who grows, propagates or produces for sale upon the person's own lands or upon land in which the person has a present right of possession, any flowers, trees, shrubs or vines.

Wholesale sales: Nurseries are exempt from B&O tax for sales at wholesale of flowers, trees, shrubs, and vines. Sales of seeds, fertilizers, and spray materials to nurseries for use in producing for sale flowers, trees, shrubs, or vines are wholesale sales.

Retail sales: Nurseries are subject to the retailing classification of the B&O tax and must collect retail sales tax from the buyer on all retail sales of flowers, trees, shrubs, and vines.

References:

WAC 458-20-210 and Excise Tax Advisory 190.04.210 (ETA 190), RCW 82.04.330 and WAC 458-20-158 (Florists and nurserymen.)

Specific Activities of Farmers (continued)

Turf Farmers

Turf grass is an agricultural product. Sales of turf grass by farmers are either wholesale or retail sales.

Wholesale sales: Sales of turf grass by farmers for resale are not subject to the B&O tax. Sales of seed, fertilizer, and spray materials to turf grass farmers are wholesale sales, provided the seller receives a completed resale certificate from the farmer.

Retail sales: Sales of turf grass by farmers at retail are subject to the retailing classification of the B&O tax and retail sales tax must be collected from the buyer.

Shellfish or Other Aquatic Products

The term “agricultural product” includes products of “aquaculture” and animals that are “cultured aquatic products.” Aquaculture means the process of growing, farming, or cultivating private sector cultured aquatic products in marine or freshwaters and includes management by an “aquatic farmer.” An aquatic farmer is a private sector person who commercially farms and manages the cultivating of private sector cultured aquatic products on the person's own land or on land in which the person has a present right of possession.

Wholesale sales: Sales of products of aquaculture by aquatic farmers for resale are not subject to the B&O tax. Sales of feed to aquatic farmers for use in the cultivating or raising for sale of fish are wholesale sales.

Retail sales: Sales of products of aquaculture by aquatic farmers at retail are subject to the retailing classification of the B&O tax and retail sales tax must be collected from the buyer, unless specifically exempt by law.

References:

RCW 82.04.213, 82.04.330, 15.85.020, 82.04.050, 82.04.060, 82.04.213, 82.04.330, and 82.08.0294

Specific Activities of Farmers (continued)

Farmers Using Agricultural Products in a Manufacturing Process

The B&O tax exemption for farmers that sell agricultural products at wholesale does not apply to any person selling manufactured substances or articles that were manufactured using agricultural products that they have grown, raised, or produced.

Manufacturing: Farmers who manufacture products using agricultural products that they have grown, raised, or produced are subject to manufacturing B&O tax on the value of products manufactured.

Wholesale sales: Farmers who sell their manufactured products at wholesale in Washington state are subject to the wholesaling B&O tax. A multiple activities tax credit (MATC) may be available.

Retail sales: Farmers who sell their manufactured products at retail in Washington state are subject to the retailing B&O tax and retail sales tax must be collected from the buyer, unless specifically exempt by law. A multiple activities tax credit (MATC) may be available.

Example: WG Vineyards (WG) produces wine from grapes that it grows in its vineyards located within Washington. WG makes wholesale sales of its wine to customers both within and outside of this state. WG is subject to manufacturing B&O tax on the value of the wine it produces. WG is also subject to wholesaling B&O tax on wholesale sales of wine delivered to buyers within Washington, and WG is entitled to a multiple activities tax credit. In addition, WG is subject to litter tax on the value of wine sold within Washington.

Purchases: Farmers that manufacture agricultural products into new products may not purchase feed, seed, fertilizer, spray materials, and agents for enhanced pollination without paying sales tax. Manufacturers are not farmers. Therefore, they cannot purchase feed, seed, fertilizer, and spray materials without paying sales tax.

Reference:

Det. No. 00-106, 20 WTD 84 (2001)

Specific Activities of Farmers (continued)

Farmers Using Agricultural Products in a Manufacturing Process (continued)

Manufacturing Equipment Sales/Use Tax Exemption:

An exemption from sales and use tax for manufacturing machinery and equipment is available for manufacturers. More information is available on this exemption in WAC 458-20-13601 and our publication titled *Manufacturers' Sales/Use Tax Exemption*.

Distressed Area Sales/Use Tax Deferral Program: This program grants a deferral of sales/use tax for manufacturing businesses locating in specific geographical areas. The sales/use taxes on qualified construction and equipment costs are waived when all qualifications are met for a specified period. This program expires on July 1, 2004. More information is available in our publication titled *Distressed Area Sales/Use Tax Program*.

Exclusions from Manufacturing B&O Tax:

The following activities are not considered manufacturing activities for purposes of the manufacturing classification of the B&O tax:

- Activities which consist of cutting, grading, or ice glazing seafood which has been cooked, frozen, or canned outside Washington;
- The growing, harvesting, or producing of agricultural products;
- Conditioning of seed for use in planting;
- Cubing hay or alfalfa;
- Packing of agricultural products, including sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in controlled atmospheric storage; and
- The removal of the head, fins, or viscera from fresh fish without further processing, other than freezing.

References: WAC 458-20-180, 82.04.120, and Det. No. 94-255, and 14 WTD 092 (1994)

Specific Activities of Farmers (continued)

Hauling

The transportation by motor vehicle of agricultural products or other property is subject to either the public utility tax or the B&O tax.

Motor/Urban Transportation: If any of the transportation occurs on public roads, the income is taxable under either the motor or urban transportation classification of the public utility tax.

Service B&O: If the transportation occurs only on private land, the income is taxable under the service and other activities B&O tax.

Compressing or Cubing of Hay

Compressing Hay: Bales of hay are placed into a compressor. No foreign substances or materials are added to the pure hay. Hydraulic presses then compress the bales. No physical change involving grinding or cubing occurs. The bale is merely compressed into a more convenient size for shipping.

Cubing Hay: Involves both the addition and/or subtraction of additional moisture, and an extensive amount of processing which results in significant changes in form, demand, and value. Cubing hay is excluded from the definition of “to manufacture.”

Service B&O: Income received from compressing or cubing hay for hire is subject to service and other B&O tax.

Pollination

Sales of Insects: The sale of insects such as leaf-cutter bees for the purpose of pollination to a farmer is subject to the wholesaling B&O tax. The farmer must complete a resale certificate and give it to the seller.

Beekeepers: Beekeepers provide bees (usually honey bees) to farmers for the purpose of pollination. Income of the beekeeper is subject to the service and other B&O tax as a horticultural service.

Specific Activities of Farmers (continued)

Cold Storage

Cold Storage Warehouse: A storage warehouse used to store fresh and/or frozen perishable fruits or vegetables, meat, seafood, dairy products, or fowl at a desired temperature to maintain the quality of the product. It does not include providing freezer space or frozen food lockers.

Warehousing B&O Tax: The gross income from operating a warehouse includes all income from the storing, handling, sorting, weighing, measuring, and loading or unloading for storage of items stored in a cold storage warehouse.

Seed Furnished Under Grower Contracts

Many seed companies contract with farmer-growers to raise seed. These companies provide the seed, and in turn agree to purchase the crop if it meets specified standards. These contracts will often provide that ownership of the crop is retained by the seed company, while the risk of crop loss is borne by the farmer-grower. However, the farmer-grower is obligated to pay for the seed, whether or not the crop meets the specified standard.

Wholesaling B&O: The transfer seed possession to the farmer-grower is a sale. There is a transfer of ownership or possession for a valuable consideration. These sales transactions are sales for resale, and subject to the wholesaling B&O tax.

Purchases: Fertilizer and spray materials may be purchased by the farmer-grower with a resale certificate, without payment of sales tax. The companies that provide the seeds are not farmers, therefore, they cannot purchase fertilizer and spray materials without paying sales tax.

References:

WAC 458-20-122, WAC 458-20-182 and ETA 173.04.103

Exemptions, Deductions, and Credits

B&O Tax Exemptions

Sale of Hatching Eggs or Poultry	The B&O tax does not apply to amounts received for the sale of hatching eggs or poultry by poultry farmers when the hatching eggs or poultry are for use in the production of poultry or poultry products for sale.
Processed Hops Sold for Use Out of State	The B&O tax does not apply to amounts received by hop growers or dealers for hops that are shipped outside Washington for first use. The hops must have been processed into extract, pellets, or powder in Washington. This exemption does not apply to a processor or warehouser on amounts charged for processing or warehousing hops.
Sale of Agricultural Products by a Farmer	The B&O tax does not apply to any farmer that sells any agricultural product for resale or to any farmer who grows, raises, or produces agricultural products owned by others, such as custom feed operations. This exemption does not apply to any person selling agricultural products at retail or to any person selling manufactured substances or articles.
Payments Received Under Federal Conservation Reserve Program	The B&O tax does not apply to any persons who participate in the federal conservation reserve program or its successor administered by the United States Department of Agriculture (USDA) with respect to land enrolled in that program.

References: RCW 82.04.410, 82.04.337, 82.04.330, 82.04.330 and
 WAC 458-20-209

Exemptions, Deductions, and Credits

B&O Tax Exemptions (continued)

Farmers Who Occasionally Assist Other Farmers

A farmer who occasionally assists another farmer in planting or harvesting a crop is generally not considered to be engaged in the business of farming for hire or performing horticultural services for farmers.

For example, a farmer owning baling equipment that is used primarily for baling hay produced by the farmer, but who may occasionally accommodate neighboring farmers by baling small quantities of hay produced by them, is not considered to be engaging in business.

Persons who advertise or hold themselves out to the public as being available to perform farming for hire will be considered as being engaged in the business of farming for hire, irrespective of the amount of such business or that the person also does some farming on his or her own land.

Interstate or Foreign Sales

Washington State does not impose retailing or wholesaling B&O tax on sales of goods that originate in Washington if receipt of the goods occurs outside Washington.

Sale of Seed at Wholesale to Farmers or Conditioning Seed for Planting

The B&O tax does not apply to amounts received by a person engaging within this state in the business of: (a) making wholesale sales to farmers of seed conditioned for use in planting and not packaged for retail sale; or (b) conditioning seed for planting owned by others.

“Seed” means seed potatoes and all other "agricultural seed" as defined in RCW 15.49.011. "Seed" does not include "flower seeds" or "vegetable seeds" as defined in RCW 15.49.011, or any other seeds or propagative portions of plants used to grow ornamental flowers or used to grow any type of bush, moss, fern, shrub, or tree.

References: WAC 458-20-193, RCW 82.04.331, 82.04.332, 82.04.4287 and 82.04.4294

Exemptions, Deductions, and Credits

B&O Tax Exemption (continued)

Buying and Selling at Wholesale:

Wheat, Oats, Dry Peas, Dry Beans, Lentils, Triticale, Canola, Corn, Rye, and Barley

The B&O tax does not apply to amounts received from buying wheat, oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and barley, and selling these products at wholesale. The exemption does not include buying or selling of any manufactured products made from wheat, oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and barley.

Compensation for Receiving, Washing, Sorting, and Packing Horticultural Products

A B&O tax deduction is available for amounts derived by any person as compensation for the receiving, washing, sorting, and packing of fresh perishable horticultural products and the material and supplies used therein when performed for a farmer, either as agent or as independent contractor.

Interest on loans to Farmers and Ranchers, or Producers or Harvesters of Aquatic Products

A B&O tax deduction is available for amounts derived as interest on loans to bona fide farmers and ranchers, producers or harvesters of aquatic products, or their cooperatives. The lending institution must be owned exclusively by its borrowers or members. It must be engaged solely in the business of making loans and providing finance-related services to bona fide farmers and ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents for housing, or persons engaged in furnishing farm-related or aquatic-related services to these individuals.

Agricultural Fairs

The B&O tax does not apply to any business of any bona fide agricultural fair, if no part of the net earnings benefits any stockholder or member of the association conducting the agricultural fair. Any amount paid for admission to any exhibit, grandstand, entertainment, or other feature conducted within the fair grounds by others is subject to the B&O tax, except as otherwise provided by law.

References:

RCW 82.04.335, 82.04.120 and .2403

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions

Feed for Feeding Livestock at Public Livestock Markets	Feed to be consumed by livestock at a public livestock market is exempt from retail sales and use taxes.
Pollen	Pollen is exempt from retail sales and use taxes.
Semen for Use in the Artificial Insemination of Livestock	Semen for use in the artificial insemination of livestock is exempt from retail sales and use taxes.
Livestock for Breeding Purposes	The sale or use of livestock, as defined in RCW 16.36.005, for breeding purposes where the animals are registered in a nationally recognized breed association is exempt from retail sales and use taxes. When making tax-exempt purchases, buyers must provide an exemption certificate to the seller who is required to keep the certificate on file for a period of five years. (See the Farmers' Retail Sales Tax Exemption Certificate on page 44 of this guide.)
Sale of Beef and/or Dairy Cattle for use by Farmers	Cattle and milk cows used on the farm are exempt from retail sales and use taxes.
Auction Sales of Farm Property	Retail sales and use taxes do not apply to tangible personal property, including household goods, which have been used in conducting a farm activity, if the property was purchased from a farmer at an auction sale held or conducted by an auctioneer upon a farm.

References: RCW 82.08.0296, 82.12.0296, 82.08.0277, 82.12.027, 82.08.0272, 82.12.0267, 82.08.0259, 82.12.0261, 82.08.0259, 82.12.0261, 82.08.0257, 82.12.0258, 82.08.0288, and 82.12.0283

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions (continued)

Leases of Irrigation Equipment

Retail sales and use taxes do not apply to the lease or use of irrigation equipment if:

- The irrigation equipment was purchased by the lessor for the purpose of irrigating land controlled by lessor;
- The lessor has paid tax under RCW 82.08.020 (retail sales tax) or 82.12.020 (use tax) in respect to the irrigation equipment;
- The irrigation equipment is attached to the land in whole or in part; and the irrigation equipment is leased to the lessee as an incidental part of the lease of the underlying land to the lessee and is used solely on such land.

Food Products for Human Consumption

Food products for human consumption are exempt from retail sales and use taxes. This exemption includes livestock sold and/or used for human consumption.

Dairy Nutrient Management Equipment and Facilities

Sales to, or use by, eligible persons of tangible personal property that becomes an ingredient or component of dairy nutrient management equipment and facilities is exempt from retail sales and use taxes. The exemption also applies to labor and services rendered in respect to operating, repairing, cleaning, altering, or improving dairy nutrient management equipment and facilities. This exemption became effective July 13, 2001, and applies to sales made, or tangible personal property or labor and services used, after the dairy nutrient management plan is certified under chapter 90.64 RCW.

These exemptions are available only if all of the following requirements are met:

- The equipment and facilities must be used exclusively for activities necessary to maintain a dairy nutrient management plan as required under chapter 90.64 RCW.

References: RCW 82.08.0293, 82.12.0293, 82.08.890, 82.12.890, 82.08.880, 82.12.880, and WAC 458-20-244

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions (continued)

Dairy Nutrient Management Equipment and Facilities (continued)

- The buyer provides the seller with an exemption certificate in a form and manner prescribed by the Department which must be retained in the seller's files. The Department of Revenue will provide an exemption certificate to an eligible person upon application. A sample letter for use in applying for an exemption certificate can be obtained from the Department by calling the Taxpayer Information Center at 1-800-647-7706. The letter can also be downloaded from the Department's web site at <http://dor.wa.gov>.

For purposes of this exemption, the following definitions apply:

- "Eligible person" means a person licensed to produce milk under chapter 15.36 RCW who has a certified dairy nutrient management plan by December 31, 2003, as required by chapter 90.64 RCW.
- "Dairy nutrient management equipment and facilities" means machinery, equipment, and structures used exclusively in the handling and treatment of dairy manure, such as aerators, agitators, alley scrapers, augers, dams, gutter cleaners, loaders, lagoons, pipes, pumps, separators, and tanks. The term also includes tangible personal property that becomes an ingredient or component of the equipment and facilities, including repair and replacement parts.

Animal Pharmaceuticals

Effective August 1, 2001, retail sales and use taxes do not apply to sales to, or use by, farmers or veterinarians of animal pharmaceuticals approved by the United States Department of Agriculture (USDA) or by the United States Food and Drug Administration (FDA). To qualify for the exemption, the pharmaceutical must be administered to an animal that is raised by a farmer for the purpose of producing for sale an agricultural product. When making purchases exempt of retail sales tax, buyers must provide an exemption certificate to the seller who is required to keep the certificate on file for a period of five years. (See the Farmers' Retail Sales Tax Exemption Certificate on page 44 of this guide.)

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions (continued)

Animal Pharmaceuticals (continued)

The USDA and FDA have an established approval process set forth in federal regulations. The FDA maintains a list of all approved animal pharmaceuticals called the "Green Book." The USDA maintains a list of approved biotechnology products called the "Veterinary Biologics Product Catalogue." Pharmaceuticals not on these lists haven't been approved and aren't eligible for the exemption.

Sales of products that are used to administer animal pharmaceuticals (e.g., syringes) do not qualify for the exemption, even if they are later used to administer a tax-exempt animal pharmaceutical. However, sales of tax-exempt animal pharmaceuticals contained in a product used to administer the animal pharmaceutical (e.g., a dose of a tax-exempt pharmaceutical contained in a syringe or cotton applicator) do qualify for the exemption.

Nonresident Sales of Machinery and Implements

The retail sales tax does not apply to sales to nonresidents of Washington for use outside of this state for:

- Machinery and implements for use in conducting a farming activity;
- Parts for machinery and implements for use in conducting a farming activity; and
- Labor and services for the repair of machinery, implements, and parts for use in conducting a farming activity.

To qualify for the exemption, the machinery, implements, and parts must be transported immediately outside Washington. When making tax-exempt purchases, buyers must provide an exemption certificate to the seller who is required to keep the certificate on file for a period of five years. (See the Farmers' Retail Sales Tax Exemption Certificate on page 44 of this guide.)

References: RCW 82.08.0268, 82.08.02745, 82.12.02685, WAC 458-20-239 and WAC 458-20-262

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions (continued)

Agricultural Employee Housing

The retail sales tax does not apply to charges made for labor and services rendered by any person in respect to:

- constructing, repairing, decorating, or improving of new or existing buildings or other structures used as agricultural employee housing; or to sales of tangible personal property that becomes an ingredient or component of the buildings, or other structures during the course of the constructing, repairing, decorating, or improving the buildings or other structures. Buyers must provide an exemption certificate to the seller who is required to keep the certificate on file for a period of five years. (See the Farmers' Retail Sales Tax Exemption Certificate on page 44 of this guide.)

The use tax does not apply to the use of tangible personal property that becomes an ingredient or component of buildings or other structures used as agricultural employee housing during the course of constructing, repairing, decorating, or improving the buildings or other structures by any person.

These exemptions require that the buildings or other structures be used to house "agricultural employees," as defined by RCW 19.30.010, for at least five consecutive years from the date approved for occupancy. Agricultural employee housing for year-round agricultural employees must be constructed to meet the state building code (chapter 19.27 RCW) for single-family or multi-family dwellings.

These exemptions do not apply to housing built for the occupancy of an agricultural employer, as defined by RCW 19.30.10; family members of an agricultural employer; or persons owning stock or shares in a farm partnership or corporation business.

"Agricultural employee housing" means facilities provided by an agricultural employer, housing authority, local government, state or federal agency, nonprofit community or neighborhood-based organization that is exempt from income tax under section 501(c) of the Internal Revenue Code of 1986, or for-profit provider of housing for housing agricultural employees.

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions (continued)

Agricultural Employee Housing (continued)

“Agricultural employee housing” facilities must be provided on a year-round or seasonal basis to agricultural employees. It includes single and multi-family dwellings, and dormitories. It also includes bathing, food handling, hand washing, laundry, and toilet facilities. "Agricultural employee housing" does not include housing regularly provided to the general public on a commercial basis, such as hotels, motels, apartments, rooming houses, and so forth. Nor does it include housing provided by a housing authority unless at least 80 percent of the occupants are agricultural employees whose adjusted income is less than 50 percent of median family income, adjusted for household size, for the county where the housing is provided.

Warehouse and Grain Elevators and Distribution Centers

Wholesalers or third-party warehouse owners who own or operate warehouses or grain elevators and retailers who own or operate distribution centers are eligible for an exemption from all or part of the state’s portion of the sales tax in the form of a remittance, and who have paid the tax levied by RCW 82.08.30 on:

- Material-handling and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment; or
- Construction of a warehouse or grain elevator, including materials, and including service and labor costs,

Machinery, Equipment, or Structures that Reduce Field Burning

The retail sales tax does not apply to sales of machinery and equipment, and to services rendered in respect to constructing structures, installing, constructing, repairing, cleaning, altering, or improving of structures or eligible machinery and equipment, or to sales of tangible personal property that becomes an ingredient or component of eligible structures or eligible machinery and equipment, if the machinery, equipment, or structure is used more than half of the time:

- For gathering, densifying, processing, handling, storing, transporting, or incorporating straw or straw-based products that results in a reduction in field burning of cereal grains and field and turf grass grown for seed; or
- To decrease air emissions resulting from field burning of cereal grains and field and turf grass grown for seed.

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions (continued)

Machinery, Equipment, or Structures that Reduce Field Burning (continued)

When making tax-exempt purchases, buyers must provide an exemption certificate to the seller who is required to keep the certificate on file for a period of five years. (See the Farmers' Retail Sales Tax Exemption Certificate on page 44 of this guide.)

The use tax does not apply to the use of machinery and equipment, and to services rendered in respect to installing, repairing, cleaning, altering, or improving of eligible machinery and equipment, or tangible personal property that becomes an ingredient or component of eligible machinery and equipment used more than half of the time:

- For gathering, densifying, processing, handling, storing, transporting, or incorporating straw or straw-based products that results in a reduction in field burning of cereal grains and field and turf grass grown for seed; or
- To decrease air emissions resulting from field burning of cereal grains and field and turf grass grown for seed.

These exemptions expire January 1, 2006. Persons taking an exemption must keep records necessary for the Department of Revenue to verify eligibility for the exemption. Persons who have taken an exemption and then discover that they do not meet the requirements for the exemption are subject to a deferred sales tax or use tax liability.

Persons who are eligible for these exemptions may also take a credit against their B&O tax liability. For more information, please refer to the "Credit" section of this guide.

Anaerobic Digesters

Retail sales or use tax does not apply to sales, or use by, eligible persons of anaerobic digesters, nor to services rendered in respect to installing, constructing, repairing, cleaning, altering, or improving an anaerobic digester, nor to the sale or use of tangible personal property that becomes an ingredient or component of the anaerobic digester. Anaerobic digesters must be used primarily to treat dairy manure.

The retail sales tax exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue.

References: RCW 82.08.820, 82.08.840, 82.12.840, 82.08.900 and 82.12.900

Exemptions, Deductions, and Credits

Sales and Use Tax Exemptions (continued)

Anaerobic Digesters (continued)	The Department must provide an exemption certificate to an eligible person upon application by that person. The application must be in a form and manner prescribed by the Department and must contain information regarding the location of the facility and other required information.
Propane or Natural Gas to Heat Chicken Structures	<p>Retail sales and use taxes do not apply to propane or natural gas used by farmers to heat structures used to house chickens. The propane or natural gas must be used exclusively to heat the structures. The structures must be used exclusively to house chickens that are sold as agricultural products. This exemption became effective September 20, 2001, and is available only when the buyer provides the seller with an exemption certificate. (See the Farmers' Retail Sales Tax Exemption Certificate on page 44 of this guide.)</p> <p>"Structures" are barns, sheds, and other similar buildings in which chickens are housed.</p>
Chicken Bedding Materials	<p>Retail sales and use taxes do not apply to bedding materials used by farmers to accumulate and facilitate the removal of chicken manure. To qualify for the exemption, the farmer must be raising chickens that are sold as agricultural products. This exemption became effective September 20, 2001, and is available only when the buyer provides the seller with an exemption certificate. (See the Farmers' Retail Sales Tax Exemption Certificate on page 44 of this guide.)</p> <p>"Bedding materials" are wood shavings, straw, sawdust, shredded paper, and other similar materials.</p>
Poultry	Poultry used in the production for sale of poultry or poultry products is exempt from retail sales and use taxes.
Fruit/Vegetable Packing Materials	Retail sales and use taxes do not apply to materials and supplies directly used in the packing of fresh perishable horticultural products by any person who is entitled to a B&O tax deduction under RCW 82.04.4287 either as an agent or independent contractor.

References: RCW 82.08.910, RCW 82.12.910, RCW 82.08.920, RCW 82.12.920, RCW 82.08.0267, RCW 82.12.0262, RCW 82.08.0311, and 82.12.0311

Credits

B&O Tax Credit to Encourage Alternatives to Field Burning

Persons who are eligible for the sales/use tax exemption for machinery and equipment used to reduce field burning may also take a credit against their B&O tax liability. The credit is limited to 50 percent of the costs expended for constructing eligible structures or acquiring eligible machinery and equipment. No application is necessary for the credit. The credit is taken on the tax return. Persons taking the credit must keep records necessary for the Department to verify eligibility for the credit. Please note, this credit is subject to the following limitations:

- The credit may not exceed your B&O tax liability.
- You cannot carry this credit over to subsequent calendar years.
- The credit must be claimed by the due date of the last tax return for the calendar year in which the payment is made.
- Refunds will not be given in place of credits.
- The credit may not be claimed for expenditures that occurred before March 22, 2000.
- This B&O tax credit expires on January 1, 2006.

Special B&O Tax Classifications

Agricultural Tax Classifications

Chapter 82.04 RCW contains special B&O tax classifications and preferential tax rates for the following activities of interest to the agricultural community:

- Manufacturing wheat into flour, barley into pearl barley; soybeans into soybean oil; canola into canola oil, canola meal, or canola by-products; or sunflower seeds into sunflower oil. The special B&O tax classification only applies to the manufacturing of the whole-grain items listed above – Det. No. 99-143R, 21 WTD 106 (2002) and Det. No. 99-143, 21 WTD 97 (2002).) RCW 82.04.260.
- Splitting or processing dried peas. RCW 82.04.260.
- Manufacturing seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing. RCW 82.04.260.
- Manufacturing by canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables. RCW 82.04.260.
- Manufacturing dairy products. The dairy products must be identified as of September 20, 2001, in 21 C.F.R. (Code of Federal Regulations), chapter 1, parts 131, 133, and 135. The special B&O tax rate includes byproducts from the manufacturing of dairy products, such as whey and casein. RCW 82.04.260.
- Slaughtering, breaking and/or processing perishable meat products and/or selling these products at wholesale. This classification combines manufacturing and non-manufacturing activities into a single taxable business activity. (RCW 82.04.260)
- Operating a cold storage warehouse. A "cold storage warehouse" means a storage warehouse used to store fresh and/or frozen perishable fruits or vegetables, meat, seafood, dairy products, or fowl, or any combination thereof, at a desired temperature to maintain the quality of the product for orderly marketing. (RCW 82.04.280)

Special B&O Tax Classifications (continued)

Agricultural Tax Classifications (continued)

A "storage warehouse" means a building or structure, or any part thereof, in which goods, wares, or merchandise are received for storage for compensation, except field warehouses, fruit warehouses, fruit packing plants, warehouses licensed under chapter 22.09 RCW, public garages storing automobiles, railroad freight sheds, docks and wharves, and "self-storage" or "mini-storage" facilities whereby customers have direct access to individual storage areas by separate entrance. "Storage warehouse" does not include a building or structure, or that part of such building or structure, in which an activity taxable under RCW 82.04.272 (persons warehousing and reselling prescription drugs) is conducted.

Other Information

Record Keeping Requirements

All businesses must keep complete and adequate records from which the Department may determine any tax for which the business may be liable. Such records must be preserved for a period of five years.

In general, records are to be kept, preserved, and presented upon request of the Department, which will demonstrate:

- The amount of gross receipts and sales from all sources, including barter or exchange transactions.
- The amount of all deductions, exemptions, or credits claimed through supporting documentation.

Such records may include general ledgers, sales journals, together with all bills, invoices, cash register tapes, or other documents or original entry supporting the books of account entries. The records should include all federal and state tax returns and reports and all schedules or work papers used in the preparation of tax reports or returns.

Suggested records:

- Federal income tax returns
- Washington tax returns
- General and subsidiary ledgers
- Sales and/or cash receipts journals
- Sales invoices
- Purchase/cash disbursement journals
- Purchase invoices for assets and expense items
- Financial statements
- Resale certificate for wholesale sales
- Documentation for any exemption claimed or given and any deductions taken

References:

WAC 458-20-254

Department Services

Tax Express	You can get answers to the most common tax questions 24 hours a day, seven days a week by calling the Tax Express prerecorded information system. To access Tax Express, call 1-800-334-8969 from a touch-tone telephone. Then enter the three-digit code which corresponds to the topic that interests you. For a list, dial code 500.
Fast Fax	The Department's Fast Fax allows you to have selected forms, publications, and administrative rules transmitted directly to your fax machine. To use the system, dial 1-800-647-7706 or (360) 486-2345 .
Telephone and one-on-one assistance	Get answers to your tax questions, and assistance in registering your business and completing tax returns by calling or visiting your local Revenue office.
Copies of publications, laws, and rules	Please contact your local Revenue office, the Telephone Information Center (TIC), or visit our web site at http://dor.wa.gov .
Research statistics	For copies of research publications, data on tax collections, tax related statistics on business activity by industry and geographical area, and other statistical information about the state's tax structure, contact the Research Division at (360) 570-6070 .
Business Outreach Workshops	To sign up for Revenue's workshops covering business registration, reporting, tax laws and rules, and record keeping requirements, contact your local Revenue office or sign up on the web at http://dor.wa.gov .
Voluntary first-year audits	If you have been in business for at least six months and would like to arrange for a first-year audit to ensure correct reporting and avoid costly mistakes, contact your local Revenue office.
Speakers Bureau	To arrange for a Revenue presenter on topics of interest to your organization, contact the Speakers Bureau Coordinator at (360) 486-2111 .
Taxpayer Advocate	For assistance in understanding and accessing your rights in working with the Department of Revenue, call the Taxpayer Advocate at (360) 486-2340 .

Department Services (continued)

Specific Taxes and Programs

Business and Occupation tax credit for new employees	Taxpayer Account Administration Division (360) 902-7175.
Corporate withdrawals or dissolutions	Audit Division (360) 570-5963
Electronic Filing (E-file)	Taxpayer Account Administration Division 1-877-345-3353.
Electronic Funds Transfer program	Taxpayer Account Administration Division (360) 902-7170.
Excise tax refunds	Taxpayer Account Administration Division (360) 902-7151.
Excise tax status letters	Taxpayer Account Administration Division (360) 902-7145.
Property tax education and advisory services	<ul style="list-style-type: none"> ◆ County Board of Equalization information and levy calculations (360) 570-5864. ◆ County revaluation (360) 570-5862. ◆ Taxing districts, code area boundaries, maps (360) 570-5894.

Property tax general information	To request copies of property tax publications or for other general information, call (360) 570-5900 . For information regarding a specific property tax assessment, contact your county assessor.
Rule hearings	For information on proposed rule changes and Excise Tax Advisories, contact the Legislation and Policy Division at (360) 570-6119 .
Sales tax deferrals	Special Programs Division (360) 753-1191 .
Tax appeal questions	Appeals Division (360) 570-6140 .

Other Agencies to Contact

Agency:	For information about:
Internal Revenue Service Information (800) 829-1040 Forms (800) 829-3676 http://irs.ustreas.gov	Federal employee withholding Social Security Medicare
Department of Licensing PO Box 48001 Olympia, WA 98504-8001 (360) 664-1400 http://wa.gov/dol	Master License License to dispense cigarettes Trade name registration
Department of Revenue PO Box 47478 Olympia, Washington 98504 1-800-647-7706 http://dor.wa.gov	Retail sales tax Completing the tax return B&O tax (state imposed)
Liquor Control Board Licensing and Regulation PO Box 43098 Olympia WA 98504-3098 Phone: (360) 664-1600 http://liq.wa.gov	Permit to sell alcoholic beverages
Employment Security Department PO Box 9046 Olympia, WA 98507-9046 (360) 902-9360 http://wa.gov/esd	Unemployment insurance for employees
Department of Labor and Industries PO Box 44140 Olympia, WA 98504-4140 (360) 902-4817 http://wa.gov/lni	If you employ one or more persons, you must apply for industrial insurance coverage with the Washington State Department of Labor and Industries.
Department of Health (local county) Varies by County http://doh.wa.gov/LHJMap/LHJMap.htm .	Food and beverage worker service permits
Gambling Commission Administration/Licensing (800) 345-2529 or (360) 486-3440 http://wsgc.wa.gov/	Gambling license

Other Agencies to Contact (continued)

Agency:	For information about:
Corporations Division Secretary of State PO Box 40234 Olympia, WA 98504-0234 (360) 753-7115 http://www.secstate.wa.gov	Articles of Incorporation Certificate of Limited Partnership Trademarks
City and County Taxing Offices	<p>If your city or county has business taxes and you are located within the city limits, you will need to register with the city taxing authority, such as the city auditor.</p> <p>Businesses located outside city limits should register with the county taxing authority, such as the county clerk's office.</p> <p>Also, remember to contact your county assessor as soon as your business opens.</p> <p>Businesses are required to report personal property — assets used in the operation of a business — to the assessor. Personal property includes furniture, office equipment, machines, and supplies used in the course of doing business.</p>

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Use tax	7, 12, 13, 14



RESALE CERTIFICATE

1. Name of Seller: _____
2. Name of Buyer/Business: _____
3. Address of Buyer: _____
Street City, State Zip Code
4. Buyer's UBI/Revenue Registration Number: _____
5. Buyer is in the business of: _____
6. Types of items purchased for resale: _____

The buyer certifies that it is purchasing the items listed on line 6 (please check appropriate box):

- ☐ *for resale in the regular course of business without intervening use.*
- ☐ *for use as an ingredient or component part of a new article of tangible personal property to be produced for sale,*
- ☐ *as a chemical to be used in processing a new article of tangible personal property to be produced for sale, or*
- ☐ *for use as feed, seed, seedlings, fertilizer, or spray materials in its capacity as a farmer.*

*The buyer acknowledges that it is solely responsible for purchasing within the categories listed on line 6. The buyer acknowledges that misuse of the resale privilege subjects the buyer to a **penalty of 50 percent of the tax due**, in addition to the tax, interest, and any other penalties imposed by law.*

Print Name: _____
Name of Person Authorized By the Buyer to Sign the Resale Certificate

Signature: _____
Signature of Authorized Agent of the Buyer

Effective Date: _____ through _____
(Not To Exceed 4 Years)

Date Signed: _____

Seller must maintain a copy. **Please do not send to Department of Revenue.**
Reference Rule and Statute (RCW 82.08.130 and WAC 458.20.102)



FARMERS' RETAIL SALES TAX EXEMPTION CERTIFICATE

Not to be used for purchases of feed, seed, seedlings, fertilizer, or spray materials (for these purchases, use a Resale Certificate)

Sellers who accept properly completed copies of this certificate are relieved of the responsibility to collect sales tax on the types of sales indicated. Certificates must be obtained at the time of the sale. Sellers must retain a copy of this certificate to document the exempt sale.

Seller _____ Date _____

Street Address _____ City _____ State _____ Zip Code _____

I, the undersigned buyer, certify that I am making an exempt purchase for the following reason:

CHECK APPLICABLE BOXES

1. ☐ Nonresident Farmer

Place of residence: _____ Proof of residence: _____

Equipment for use in a farming activity (*include brand, model, and address of use*) _____

2. ☐ Livestock for Breeding Purposes

Animal type: _____ Registered Breed Association: _____

Animal name: _____

3. ☐ Animal Pharmaceuticals

Animal pharmaceuticals (*include description*): _____

4. ☐ Chicken Farming (Eff. 9/20/01)

a. ☐ Propane or natural gas used to heat structures used to house chickens.

b. ☐ Bedding materials used to accumulate and facilitate the removal of chicken manure.

5. ☐ Reducing Agricultural Burning (*This exemption expires January 1, 2006*)

Items purchased: _____

☐ The buyer certifies that the items listed above will be used **more than half (50%) of the time** for:

- Gathering, densifying, processing, handling, storing, transporting, or incorporating straw or straw-based products that results in a reduction in field burning of cereal grains and field and turf grass grown for seed; **or**
- Decreasing air emissions resulting from field burning of cereal grains and field and turf grass grown for seed.

The retail sales tax exemption is available for these items or services:

- Machinery and equipment,
- Structures,
- Installing, constructing, repairing, cleaning, decorating, altering, or improving eligible structures or eligible machinery and equipment,
- Tangible personal property that becomes an ingredient or component of eligible structures or eligible machinery and equipment.

6. ☐ Agricultural Employee Housing

Items purchased: _____

(Continued on back. . .)

6. Agricultural Employee Housing (continued)

The retail sales tax exemption is available for these items:

Constructing, repairing, decorating, or improving of new or existing buildings or structures used as agricultural employee housing,

Tangible personal property that becomes an ingredient or component of the buildings or other structures during the course of the construction, repairing, decorating, or improving.

Is the agricultural employee housing being built on agricultural land? Yes No

If yes, please provide parcel number: _____

➤ I, the undersigned buyer, understand that by completing and signing this certificate I am certifying that I qualify for the tax-exempt purchase(s) indicated above. I understand that I am required to keep records to verify eligibility for the exemption(s) and that I will be required to pay sales or use tax on purchases that do not qualify for the exemption(s) in addition to any applicable interest and penalties. This certificate is given with full knowledge of, and subject to, the legally prescribed penalties for fraud and tax evasion per RCW 82.32.090.

Name of Buyer: _____

UBI No.: _____

Authorized Signature: _____

Date: _____

Title: _____

Seller must maintain a copy. Do not send to Department of Revenue.

INSTRUCTIONS

Buyers must ensure entitlement to the exemption before using this Certificate. For information regarding exemptions, contact Washington State Department of Revenue Taxpayer Information Center at (360)786-6100 or 1(800)647-7706 or visit the Department's web site at <http://dor.wa.gov>.

Line 1 applies to machinery, implements, repair parts and labor purchased in this state by a nonresident for use in conducting a farming activity outside the state. The equipment must be transported outside the state immediately upon purchase. **Seller must examine and record buyer's proof of residency.** See WAC 458-20-239 for acceptable proof of residency. Reference: RCW 82.08.0268 and WAC 458-20-239.

Line 2 applies to the purchase of livestock for breeding purposes. "Livestock" is defined in RCW 16.36.005. The animal must be registered in a nationally recognized breed association. Reference: RCW 82.08.0259 and WAC 458-20-122.

Line 3 applies to the purchase of animal pharmaceuticals by farmers for the purposes of administering to an animal raised for sale by the farmer. Animal pharmaceuticals must be approved by the United States Food and Drug Administration or the United States Department of Agriculture. Reference: Chapter 17, Laws of 2001, 2nd Special Session.

Line 4a applies to the purchase of propane or natural gas used to heat structures used to house chickens. The chickens must be raised by a farmer and sold as agricultural products. Reference: Chapter 25, Laws of 2001, 2nd Special Session.

Line 4b applies to the purchase of bedding materials used to accumulate and facilitate the removal of chicken manure. The chickens must be raised by a farmer and sold as agricultural products. "Bedding materials" means wood shavings, straw, sawdust, shredded paper and other similar materials. Reference: Chapter 25, Laws of 2001, 2nd Special Session.

Line 5 applies to the purchase of machinery and equipment and structures that are used more than half (50%) of the time to reduce field burning of cereal grains and field and turf grass grown for seed, or to decrease emissions from such burning. Reference: RCW 82.08.840.

Line 6 applies to the purchase by agricultural employers of materials and labor for use in constructing, repairing, decorating, or improving new or existing buildings or other structures that will be used to provide housing to the employer's agricultural employees. Reference: RCW 82.08.02745 and WAC 458-20-262.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users may call (800) 451-7985. You may also access tax information on our Internet home page at <http://dor.wa.gov>.